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# A REVIEW OF
# RESERVES AND RESERVE FUNDS
# OF THE METROPOLITAN CORPORATION

Municipality of Metropolitan Toronto
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6. A Reserve for Major Expenditure Variations be established to provide funds for major expenditures which are not specifically covered in the line items of various department budgets. Present practice is to provide for those expenditures by way of the Contingency Account in the Sundry-At Large Operating Budget.

It is recommended that:

> A Reserve for Major Expenditure Variations be established by the transfer of $5 million from the 1984 Contingency Sundry-At-Large budget. This Reserve to be replenished each year to maintain the $5 million level.

A. J. De Gagne
Commissioner
Management Services Department

mb

attachment

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**A. J. De Gagné**
*Commissioner of Management Services*

Reply to the
attention of

May 28, 1984

To: Members of the Budget Sub-Committee

From: Commissioner of Management Services Department

Re: Study on Reserves & Reserve Funds

Attached please find a report on the Study of Reserves and Reserve Funds in the Metropolitan Corporation.

The purpose of the study is to review the existing reserves (reserves and reserve funds) employed by the Corporation, including the purposes for which each was established and the legislative mandates and to make recommendations as to the policies of the Corporation concerning the establishment and use of reserves. The conclusions of the report can be summarized as follows:

1. Analysis shows that the size of the Corporation's Reserves is substantially smaller in relation to the size of Metro operations than are the comparable holdings of the constituent municipalities.

2. The Corporation has followed Provincial guidelines and generally accepted accounting procedures in the establishment and operation of its reserves.

3. The reserves employed by the Corporation are adequate in terms of the purposes for which they were established.

4. Where a reserve was set up to moderate fluctuations in future expenditures, the mechanisms for calculating the level of funding appear sound.

5. Metro's overall reserve level in relation to its operating expenditures is adequate.

## EXECUTIVE SUMMARY

The purpose of this study is to review the existing reserves (reserves and reserve funds) employed by the Metropolitan Corporation, including the purposes for which each was established and the legislative mandates and to make recommendations as to the policies of the Corporation concerning the establishment and use of reserves.

The report discusses the purpose, legislation and procedures governing the use of reserves in general. In addition, the reserves employed by the Corporation were analyzed, with particular emphasis on the purpose of each and the adequacy of the reserve levels. The general conclusions of the report can be summarized as the following:

1. Analysis shows that the size of the Corporation's Reserves is substantially smaller in relation to the size of Metro operations than are the comparable holdings of the constituent municipalities.

2. The Corporation has followed Provincial guidelines and generally accepted accounting procedures in the establishment and operation of its reserves.

3. The reserves employed by the Corporation are adequate in terms of the purposes for which they were established.

4. Where a reserve was set up to moderate fluctuations in future expenditures, the mechanisms for calculating the level of funding appear sound.

5. Metro's overall reserve level in relation to its operating expenditures is adequate.

This report also identifies other specific concerns leading to the final recommendations contained in the study. These findings are listed below.

Budgetary Submission

In reviewing the accounting and reporting of reserves, it was noted that no formalized procedures existed on the submission of budgets on reserves. To provide a more comprehensive understanding of the positions of reserves, it is important that the departments concerned prepare as part of their budgetary submission, a detailed statement on reserve position, stating the beginning balance of each account, the forecasted revenues and expenditures and the closing balance.

Reserve for Major Expenditure Variations

In examining reserves, the need for a Reserve for Major Expenditure Variations was reviewed. The establishment of a Reserve for Major Expenditure Variations would provide funds for major expenditures which are not specifically covered in the line items of various department budgets. Present practice is to provide for these expenditures which cannot be specifically identified by way of the Contingency Account in the Sundry-At-Large Operating Budget. In addition to smoothing unexpected variations in several expenditure categories, Council control by approval of such expenditures would continue to be assured.

Capital Financing Stabilization Reserve

A five year projection of the balances in this Reserve based on the 1983 Capital Program shows that the fund would be fully depleted by the end of 1985 with no subsequent contribution into or funding from the account. Based on the forecast, the 5 mill level of capital-from-

current would be inadequate to maintain the ratio of contributions at 50% of net capital requirements by 1986. If the ratio of capital-from-current contribution is to be stabilized at the 50% level, and if the projected level of capital expenditure in the 5 year capital budget is maintained, the 5 mill levy will be insufficient by 1986.

O'Keefe Centre Capital Improvements Reserve Fund

Since the establishment of the Reserve Fund, the Centre has made major revisiions to its initial rehabilitation plan. Included in the revised plan were capital projects considered to be of an expansion and improvement nature which have exceeded the Fund's original intent. The issue of the ratio of contribution to major rehabilitation work (i.e. 25% reserve/75% general levy) was raised by the Management Services Department during the 1983 budgetary process. The Fund balance was projected to exceed the Centre's needs for rehabilitation purposes. A review of the intent of the Reserve and the ratio of contribution to the Centre's Capital projects, taking into consideration the study presently underway on retrofitting the theatre as an Opera/Ballet House seems appropriate.

On the basis of the foregoing, it is recommended that:

1. **A detailed budgetary statement on the position of reserves and reserve funds be maintained by the departments involved, stating the beginning balance, the forecasted revenues and expenditures and the closing balance of the account and be submitted with the departments' budget each year.**

2. A Reserve for Major Expenditure Variations be established by the transfer of $5 million from the 1984 Contingency Sundry-At-Large budget. This Reserve to be replenished each year to maintain the $5 million level.

3. Consideration be given to increasing the capital-from-current levy in 1986, taking into account the five year Capital Program of the Corporation, to ensure that 50% of the Capital Program is financed from the current account. As an alternative, the projected 5 year Capital Program of the Corporation be reduced to fit the requirements of the 50% formula.

4. Pending the results of the study on retrofitting the O'Keefe Centre as an Opera/Ballet House, the purpose of the O'Keefe Centre's Capital Improvement Reserve Fund and the ratio of contributions to the Centre's capital projects from this Reserve Fund be reviewed by the Department of Management Services and a report sent to the O'Keefe Centre Board and the Budget Sub-Committee prior to the 1985 Budget cycle.

## I. PURPOSE

The purpose of this study is to review the existing reserves (reserves and reserve funds) employed by the Metropolitan Corporation including the purposes for which each was established and the legislative mandates and to make recommendations as to the policies of the Corporation concerning the establishment and use of reserves.

## II. INTRODUCTION

In the public sector, the focus in financial management is accountability and stewardship over resources. Inherent in these responsibilities is an obligation to anticipate revenues and expenditures and to make adequate provisions to avoid placing undue hardship on taxpayers in future years, or to be faced with liabilities which the government is not equipped to handle. The use of reserves thus becomes an integral part of sound financial management. They are means by which revenue may be systematically set aside to finance specific expenditures and help to stabilize the financial impact of such future occurrences.

### Distinction between Reserves and Reserve Funds

A "reserve" is an amount of revenue earmarked for a particular purpose. It has no reference to any specific assets. Generally, investment incomes are credited to Corporate interest earnings, but where appropriate, may be credited to the reserve.

A "reserve fund" is distinguished from a "reserve" in that it is a fund with identifiable assets and the money set aside is paid into a separate bank account. Income earned on investments is required to be added to the reserve fund and accounted for as part of the reserve fund.

Reserves are appropriations of an organization's revenues for which no specific assets are maintained and have the following advantages as compared to reserve funds:

- There is no need for separate bank accounts or designated investments or separate accounting as is the case under the use of reserve funds;
- Money set aside in reserves remains available for use in financing general operations of the municipality and interest earned thereon need not be separately accounted for;
- Accounting entries due to interfund transfers are eliminated and
- The preparation of financial statements is simplified.

On the other hand, a reserve fund is useful because investment income from its assets is credited to the fund which further increases the revenue available for that account. A reserve fund is a more formal way of ensuring sums earmarked for a special purpose are indeed used for that purpose, assets are maintained in the name of the reserve fund and income thereon is clearly identified and must be credited to the reserve fund.

**Use of Reserves and Reserve Funds**

Neither the Province nor the Metropolitan Corporation have formal policies governing the establishment and use of reserves and reserve funds. However, a number of procedures have been outlined by the Ministry of Municipal Affairs and Housing as a guide to their use. In addition, the Corporation must follow certain Provincial requirements in the reporting of these accounts. The Metropolitan Corporation is following these procedures and other generally accepted accounting practices in the establishment, operation and reporting of reserves.

With the exception of "Obligatory Reserve Funds" (i.e. those that must be created as a result of statutory requirements), the use of reserves vis-a-vis reserve funds is at the discretion of Council. Generally, reserves are used to provide for equipment replacements and payments of specific expenses which could cause major budgetary fluctuations. Reserve funds are used if Council wishes to earmark funds in a more formal way and to set aside the reserve from the general operations of the municipality.

The following sections offer a general review of the purpose, legislation and procedures governing the use of reserves and reserve funds and provide a brief description of those reserves and reserve funds employed by the Metropolitan Corporation.

## III. RESERVES

### Reserves of the Metropolitan Corporation

In 1983, the Metropolitan Corporation (including all Metropolitan departments, the Metropolitan Board of Commissioners of Police and the Metropolitan Licensing Commission and excluding all other agencies, boards and commissions) employed a total of 9 reserves. The following section offers a brief description of each. A detailed analysis of each reserve is contained in Appendix A of this paper.

| | RESERVE | Balance 12/31/1983 ($000's) |
|---|---|---|
| 1. | **Exchange Stabilization**<br>Authority: Created in 1956 through Council's adoption of the Current Estimates.<br>Purpose: To cover off any over-expenditure which may arise on the foreign exchange portion of debt charges over the annual estimate. | $ 2,360 |
| 2. | **Equipment Replacement - Roads & Traffic**<br>Authority: E.C.R.6, May 9, 1971,<br>Purpose: To moderate fluctuations in the rate of expenditure needed annually to replace large items of equipment. | 502 |
| 3. | **Equipment Replacement - Works**<br>Authority: E.C.R. 11, April 25, 1980<br>Purpose: To moderate fluctuations in the rate of expenditure needed annually to replace large items of equipment. | 1,963 |
| 4. | **Acquisition of Parklands**<br>Authority: E.C.R.11, April 25, 1980<br>Purpose: To provide the funds to facilitate the purchase of a tract of land North of the Metro Zoo site. | 1,000 |
| 5. | **Emergency Response Facility**<br>Authority: E.C.R.10(1), April 24, 1981<br>Purpose: To facilitate the implementation of the Automatic Number/Automatic Location Indicator function for the Metro Police. | 1,175 |
| 6. | **Construction of Convention Centre**<br>Authority: E.C.R.8 (1), April 11, 1980<br>Purpose: To provide for Metro's contribution to the construction of the Convention Centre. | 6,543 |
| 7. | **Additional Sick Pay Liability - Police Commission**<br>Authority: Article 12, Police agreement<br>Purpose: To provide for additional sick pay liability for the Police as part of their collective bargaining agreement. | 1,158 |
| 8. | **Debenture Interest Accrual**<br>Authority: E.C.R.13(1), April 23, 1982<br>Purpose: To provide for the changeover of accounting for debenture interest from a cash to an accrual basis in 1985. | 7,650 |
| 9. | **Capital Financing Stabilization**<br>Authority: E.C.R.10(2), April 24, 1981<br>Purpose: To stablize the contribution of capital-from-current to a 50% level of the net capital requirements for the year. | 9,617 |
| | **TOTAL** | $31,968 |

**Purpose**

Reserves may be established for a variety of purposes, the three most common categories of reserves are:

1. Reserve for working fund

   This type of reserve is used to provide working capital to municipalities on an interim basis before taxes, subsidies and other revenues are available. The advantage of this type of reserve is that it reduces or avoids the need for short-term borrowing which may be required to fund a municipality's cash requirements prior to the collection of current revenue. Previous Councils have voted against this reserve being established in Metro although such a reserve is held by area municipalities.

2. Reserve for contingencies

   Municipalities may sometimes have contingent liabilities (such as law suits and claims) which, if materialized, would have a major impact on its cashflow. A reserve in anticipation of such liabilities will provide a buffer against any substantial tax increases which may be necessary under those circumstances.

3. Reserve for equipment replacement

   This type of reserve provides funds for the replacement of major equipment and vehicles, therefore avoiding fluctuation in the tax levy from year to year required to finance such purchases.

**Legislation**

Formerly, the use of reserves was authorized under the provisions set out in Section 218 (2) of the Municipality of Metropolitan Toronto Act which reads:

> "In preparing the estimates, the Metropolitan Council shall make due allowance for a surplus of any previous year which will be available during the current year and shall provide for any operating deficit of any previous year and for such reserves within such limits as to type and amount as the Ministry may approve but shall not make any allowance for payments to be received during the current year under The Municipal Unconditional Grants Act."

In 1982, the Act was amended and the above provisions relating to reserves were deleted.

**Procedures**

In a nutshell, the need for a reserve is identified by staff or recommended by members of Council. Where a reserve is proposed by staff, the Treasurer's concurrence is sought. Subject to Council's approval, a reserve is created by including in the estimates the amount that is to be designated as reserve during the fiscal year.

Contributions from the Revenue Fund to reserves are generally reported under the related functions on the Statement of Revenue and Expenditure. With the exception of capital expenditures, expenses incurred for the purpose of the reserve are charged against the reserve. The financing of capital expenditures from reserves is reported under "Contributions from reserve funds and reserve" on the Statement of Capital Operations. At the end of the fiscal year, a "Statement of Continuity of Reserves and Reserve Funds" is prepared, summarizing the revenues and expenditures and the year end position of the accounts.

While the accounting and reporting of reserves (reserves and reserve funds) causes no concern, there are no formalized procedures on the submission of budgets on reserves and reserve funds. It is important

that the departments concerned prepare, as part of their budgetary submission, a detailed statement on reserve positions, stating the beginning balance of each account, the forecasted revenues and expenditures and the closing balance.

It is therefore recommended that:

- **A detailed budgetary statement on the positions of reserves and reserve funds be maintained by the departments involved, stating the beginning balance, the forecasted revenues and expenditures and the closing balance of each account and be submitted with the departments' budgets each year.**

## IV. RESERVE FUNDS

### Reserve Funds of the Metropolitan Corporation

The Metropolitan Corporation (including Police and Licensing and excluding all other agencies, boards and commissions) currently employs a total of six reserve funds, a summary of which is provided below.

| | RESERVE FUND | Balance 12/31/198 ($000's) |
|---|---|---|
| 1. | **Ministry of the Environment - Reserve Fund for Contingencies**<br>Authority: E.C.R.68(1), Dec.2, 1960 & Feb.24, 1966<br>Purpose: To provide payment to the Ministry of the Environment for renewals, replacements and contingencies associated with the operation of the Lakeview Sewage Treatment Plant. | $ 115 |
| 2. | **Insurance Reserve Fund**<br>Authority: E.C.R.10, March 23, 1971<br>Purpose: To provide for certain losses arising from deductible provisions in insurance contracts. | 743 |
| 3. | **Stadium - Capital Improvements**<br>Authority: E.C.R.14, April 15, 1977<br>Purpose: To pay for debt services related to the rehabilitation of the north grandstand and any remainder to pay for future capital improvements. | 449 |
| 4. | **O'Keefe Centre - Capital Improvements and Rehabilitation Reserve Fund**<br>Authority: E.C.R.11, April 25, 1980<br>Purpose: To provide funds for major renovations and capital improvements of the Centre | 133 |
| 5. | **Corporate Sick Pay Grant Liability Reserve Fund**<br>Authority: E.C.R.13(3), April 23, 1982.<br>Purpose: To provide systematic contributions towards sick pay grant liability in order to reduce the impact of future claims. | 12,428 |
| 6. | **Regent Park Reserve Fund**<br>Authority E.C.R.4(23), February 8, 1983<br>Purpose: This fund was established in 1983 to provide for Metro's contribution to the Regent Park Project. | 44 |
| | | $13,912 |

**Purpose**

The establishment of a reserve fund must be in the form of a by-law passed by Council. There are two types of reserve funds: obligatory and discretionary.

Obligatory reserve funds are those that must be established whenever a statute stipulates that certain revenues received are to be segregated from general revenues. The Metropolitan Corporation does not have any reserve fund which falls into this category.

Discretionary reserve funds can be established under the following conditions:

1. A municipal Council wishes to raise an amount from current revenue to finance a specific future project for which it has the authority to spend money, and

2. This current revenue is to be set aside from the general operations of the municipality to ensure that it will not be used for any other purpose and will be available as required.

All of the Corporation's existing reserve funds belong to this category.

In a large number of jurisdictions, a reserve fund for capital expenditures is used to provide for major capital projects. Metro's capital-from-current policy ensures that funding is systematically set aside to help finance its capital programs and reduce long term debenture costs. However, a reserve fund may still be used for specific capital projects where Council decides to finance the entire project from its current budget over a period of years without any debt financing.

## Legislation

The authority for creating discretionary reserve funds is found under Section 165 of the Municipal Act, as well as Section 221 of the Municipality of Metropolitan Toronto Act.

Basically, legislation provides that:

- The Metropolitan Council may establish or maintain reserve funds for any purpose for which it has authority to spend funds.
- The monies raised for a reserve fund must be paid into a special account and may be invested in such securities as a trustee may invest under the Trustee Act; the earnings from the investments must form part of the reserve fund.
- The monies raised for a reserve fund must not be used for any purpose other than that for which the fund was established, unless approved by the Metro Council.
- The Auditor is required to report on the activities and positions of each reserve fund in his report.

## Procedures

The processes for the establishment of a reserve fund are for the most part the same as that of a reserve, except in the case of a reserve fund separate bank accounts must be maintained and investment incomes are credited to the fund. Reporting of reserve funds follows the same procedures as a reserve.

## V. LEVEL OF RESERVES AND RESERVE FUNDS

In the five years ending 1982, the amount of funds set aside as reserves and reserve funds in the Corporation increased steadily:

**TABLE 1**

Reserves and Reserve Funds Balance

In $000's

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|---|
| Reserves | 3,687 | 6,095 | 16,401 | 23,160 | 69,505 | 31,968 |
| Reserve Funds | 950 | 1,039 | 7,593 | 16,294 | 11,149 | 13,919 |
| Total | 4,637 | 7,134 | 23,994 | 39,454 | 80,654 | 45,887 |
| Total Operating Expenditures | 627,271 | 659,292 | 758,245 | 843,425 | 999,419 | 1,158,086 |
| % | 0.7 | 1.1 | 3.2 | 4.7 | 8.1 | 4.0 |

Note: Figures include all Metropolitan departments, the Metropolitan Board of Commissioners of Police and the Metropolitan Licensing Commission and excluding all other agencies, boards and commissions.

The amount of money placed on reserve increased in 1982 due largely to the creation of a Capital Financing Stabilization Reserve which added $39,694,000 to the balance of the accounts. In 1983, an amount of $22,578,000 was expended from this Reserve which lowered the reserve ratio to about the 1981 level.

### Comparison to Other Jurisdictions

Notwithstanding the present level of reserves in Metro, the Corporation still has a smaller percentage of its funds held in reserves compared to its area municipalities:

**Table 2** below provides the total reserves held by the Metropolitan Corporation and its area municipalities as at December 31, 1982.

**TABLE 2**

| | Total Reserves & Reserve Funds | Total General Municipal Expenditures | % |
|---|---|---|---|
| **METRO** | **80,654.0** | **999,419.0** | **8.1** |
| East York | 5,446.2 | 27,079.9 | 20.1 |
| Etobicoke | 24,298.0 | 97,058.6 | 25.0 |
| North York | 34,399.5 | 158,653.2 | 21.7 |
| Scarborough | 45,655.2 | 122,531.7 | 37.2 |
| Toronto | 115,265.4 | 355,728.1 | 32.4 |
| York | 6,410.6 | 38,013.5 | 16.9 |

**Table 3** sets forth the reserve balances for other major regional municipalities in Ontario and selected Canadian cities. These figures are balances as at December 31, 1982.

**TABLE 3**

| Regional Municipality | Total Reserves & Reserve Funds | Total General Municipal Expenditures | % |
|---|---|---|---|
| Hamilton - Wentworth | 54,602.0 | 205,202.0 | 26.6 |
| Ottawa - Carleton | 53,536.5 | 278,957.5 | 19.2 |
| Peel | 40,869.0 | 140,095.0 | 29.2 |
| **City** | | | |
| Edmonton | 38,617.0 | 551,973.0 | 7.0 |
| Montreal | 666,870.0 | 1,132,822.0 | 58.9 |
| Ottawa | 14,935.3 | 175,520.6 | 8.5 |
| Vancouver | 25,129.3 | 254,153.2 | 9.9 |

Source: Financial Reports for 1982.

NOTE: Due to the difference in accounting methods and procedures, comparison with cities outside Ontario may not be valid.

Tables 2 and 3 suggest that while the dollar amount of the Corporation's reserves may appear high, it represents only a small portion of Metro's total general expenditures. In the year ending December 31, 1982, with the exception of the City of Edmonton, Metro has the lowest ratio of reserve balances to total general expenditures of those surveyed.

There are a number of significant reasons for the differences in reserve levels, the most rudimentary being the variation in policy adopted by each Council on providing funds for future expenditures. Some Councils find it desirable to earmark funds for specific projects while others prefer to make the necessary provisions in their current or capital budgets.

In smaller municipalities where the operating budgets are relatively low, Councils may find it necessary to systematically set aside sums for specific expenditures in order to minimize the effect on future budgets. Because of the size of its operating budget, Metro is in a better position to absorb some of the fluctuations in expenditures, therefore reducing the need for reserves.

The variations in the levels of reserve balances can also be attributed to the differences in accounting methods and procedures used by local governments. In Ontario, the Ministry of Municipal Affairs and Housing has established standard reporting formats to be followed by all municipal entities, making the accounting data among local governments more comparable. Comparison with jurisdictions outside Ontario may not be valid because of the differences in reporting rules and procedures.

From the Corporation's perspective, it wants to ensure that expenditures in both its operating and capital areas are stabilized. In this regard, Metro appears to have adequate reserves to safeguard it against anticipated fluctuations in operating requirements from year to

year. On the capital side, while no capital reserve is employed, the Corporation has a capital-from-current policy which ensures that funding is set aside to finance capital projects. This policy together with the use of a Capital Financing Stabilization Reserve should serve to moderate the impact of capital expenditures on the current budget. There is no reason to believe that Metro's low reserve level in relation to its operating expenditures is inadequate.

**Reserve for Major Expenditure Variations**

In examining reserves, the need for a Reserve for Major Expenditure Variations was reviewed. The establishment of a Reserve for Major Expenditure Variations would provide funds for major expenditures which are not specifically covered in the line items of various department budgets. Present practice is to provide for those expenditures which cannot be specifically identified by way of the Contingency Account in the Sundry-At-Large Operating Budget. An amount of $5 million has generally been set aside and such an amount is contained in the 1984 Current Estimates already approved by Council. As an alternative, a Reserve for Major Expenditure Variations could be established at $5 million to provide for these unforeseen variations. Expenditures to be made from this Reserve would be reviewed by the Treasurer and the Commissioner of Management Services for their recommendation prior to submission for Council's approval. This Reserve would be replenished each year to maintain the $5 million level.

Thus, such a Reserve would provide for expenditures, the amount and timing of which are uncertain at the time the budget is struck, while at the same time, alleviating the annual budget from such charges which frequently give the impression of inflating the budget and of course, the year-end surplus. In addition to smoothing unexpected variations in several expenditure categories, Council control by approval of such expenditures would continue to be assured. It is therefore

recommended that:

- **A Reserve for Major Expenditure Variations be established by the transfer of $5 million from the 1984 Contingency Sundry-At-Large budget. This Reserve to be replenished each year to maintain the $5 million level.**

**Level of Existing Accounts**

To determine the adequacy of Metro's existing reserves, each reserve and reserve fund is reviewed and the level of funding in view of its objective is evaluated. Details pertaining to these analyses are contained in Appendix A.

Overall, the existing reserves are operating as intended. Where an account was established to moderate future expenditures, the mechanisms for calculating the funding appear sound.

The analysis has identified a specific concern regarding the Capital Financing Stabilization Reserve and the O'Keefe Centre Capital Improvements Reserve Fund.

Capital Financing Stabilization Reserve

The Capital Financing Stabilization Reserve was established to stabilize the contribution of capital-from-current to a 50% level of the net capital requirements for a given year. A five year projection on the balances in the Reserve based on the 1983 Capital Program shows that the fund would be fully depleted by the end of 1985 with no subsequent contribution into or funding from the account.

Based on the forecast, the 5 mill level of capital-from-current would be inadequate to maintain the ratio of contribution at 50% of net capital

requirements by 1986. If the ratio of capital-from-current contribution is to be maintained at the 50% level, consideration should be given to increasing the 5 mill levy in 1986 or reducing the level of capital expenditure. It is therefore recommended that:

- **Consideration be given to increasing the capital-from-current levy in 1986, taking into account the five-year Capital Program of the Corporation to ensure that 50% of the Capital Program is financed from the current account. As an alternative, the projected 5 year Capital Program of the Corporation be reduced to fit the requirements of 50% formula.**

O'Keefe Centre Capital Improvements Reserve Fund

This reserve was established to set aside a capital surcharge imposed on each ticket sufficient to cover 25% of the costs for major maintenance and rehabilitation at the Centre.

Since the establishment of the Reserve Fund, the Centre has made major revisions to its initial rehabilitation plan. Instead of a five year program costing $2,200,000 (1980 dollars), the revised program in 1983 spanned eight years at about $4,155,500 in 1980 dollars. Included in the revised plan were capital projects considered to be of an expansion and improvement nature which have exceeded the Fund's original intent. The issue of the ratio of contribution to major rehabilitation work, (i.e. 25% reserve/75% general levy) was raised by the Department of Management Services during the 1983 budgetary process. Projections show that the Fund balance may exceed the Centre's needs for rehabilitation purposes.

In view of the foregoing, it is recommended that:

- **Pending the results of the study on retrofitting the O'Keefe Centre as an Opera/Ballet House, the purpose of the O'Keefe Centre's Capital Improvement Reserve Fund and the ratio of contributions to the Centre's capital projects from this Reserve Fund be reviewed by the Department of Management Services, and a report sent to the O'Keefe Centre Board and the Budget Sub-Committee prior to the 1985 Budget cycle.**

## VI. CONCLUSIONS

This report reviews the purpose, legislation and procedures governing the use of reserves (reserves and reserve funds) in general. At the same time, the reserves employed by the Metropolitan Corporation were analyzed, with particular emphasis on the purpose of each and the adequacy of the reserve balances.

This paper examines the overall level of Metro's reserves in relation to that of other jurisdictions. While Metro has a lower ratio of reserves to its operating expenditures, there is no indication that the level is inadequate.

The reserves employed by the Corporation are adequate in terms of the purposes for which they were established. Where an account was set up to moderate fluctuations in future expenditures, the mechanisms for calculating the level of funding appear sound. The Corporation is following Provincial guidelines and other generally accepted accounting procedures in the establishment and operation of its reserves.

## APPENDIX A

A Detailed Analysis of Existing Reserves and Reserve Funds

## RESERVES

### Exchange Stabilization

In each of the years 1956 to 1960, the Metropolitan Corporation issued debentures in both the Canadian and United States bond markets.

During this period, an Exchange Stabilization Reserve was established to cover off any over-expenditure which may arise on the foreign exchange portion of debt charges over what the estimate was for the exchange portion of debt charges.

In 1977, the Corporation realized a foreign exchange gain on the conversion of Canadian funds of debenture proceeds. This sum was added to the Reserve account balance. At the end of 1983, the balance of this reserve is estimated at $2,359,000.

For 1984, the total estimated U.S. debt charges are U.S. $25,128,320. A predicted rate of 80.5 cents U.S. for $1 Canadian is used in calculating the exchange costs pertaining to U.S. dollars. The cost of exchange on the above U.S. debt charge using different ratio of exchange is illustrated below:

| Rate of Cdn. $ | Exchange Cost | Increased Cost | Accumulated Cost Increase |
|---|---|---|---|
| 80.5¢ | $ 6,086,100 | - | - |
| 80.0¢ | 6,282,100 | 196,000 | 196,000 |
| 79.0¢ | 6,679,100 | 397,000 | 593,000 |
| 78.0¢ | 7,088,700 | 409,600 | 1,002,600 |
| 77.0¢ | 7,505,800 | 417,100 | 1,419,700 |
| 76.0¢ | 7,935,500 | 429,700 | 1,849,400 |
| 75.0¢ | 8,375,300 | 439,800 | 2,289,200 |
| 74.0¢ | 8,827,600 | 452,300 | 2,741,500 |

The calculations indicate that the balance in this reserve account is sufficient to protect the current budget against the Canadian dollar falling to about U.S. $0.75 for the full year 1984.

Equipment Replacement - Roads & Traffic Department

The Roads and Traffic Equipment Reserve covers the purchases of replacement and, to some extent, new equipment. It was created in 1971 largely as a mechanism to facilitate the claiming of Provincial subsidies in connection with the purchases of equipment and operation and maintenance of vehicles for roads purposes. Under this Reserve, the operating costs of fleet maintenance as well as the cost of new equipment are charged against its balances. Provisions to this Reserve are based on subsidizable operating rates approved by the Province. Funding available in the account limits the number of equipment the Department may purchase for a given period, subject, of course, to the normal budgetary approval process.

Equipment Replacement - Works

The Works Reserve was established in 1980 to facilitate the replacement of heavy mobile equipment in the Refuse Disposal Division. This reserve was designed to provide funding for replacement equipment that is included in the account. Funding for new or additional equipment is satisfied through the current or capital budget as is replacement of equipment which is not included in the account. The purpose of this account is to moderate fluctuations in the rate of expenditure needed annually to replace large items of equipment, thus serving to provide budget stabilization.

When this reserve was established, it was intended that the mechanisms governing the operation of the account would address the inflating cost of equipment. First, all equipment covered by the reserve are assigned a usage rate, calculated as replacement cost divided by life expectancy.

Payments to the reserve are based on the usage of the equipment. Second, usage rates are reviewed annually to consider any revisions in the inflation rate used or life expectancy of each class of equipment.

During the 1984 budgetary process, concerns were raised with respect to the funding of this account. In particular, it was noted that the balance of this account at the end of 1984 was projected at $1,826.5 thousand, down from the initial balance of $2,500.0 thousand at 1980. The Works Department was requested to review and report on the appropriate level of funding for the next 5 to 10 years and to consider items that should be added to or deleted from the account. It is anticipated that this review will fully address the adequacy of the balance in this reserve. As a result, no further review of this account is recommended at this time.

The foregoing review begs the broader issue of why no corporate reserve for equipment acquisition is established which will provide for the systematic replacement of major equipment (e.g. Police fleets). A further review shows that the expenditures on equipment purchases by the Corporation (excluding Works & Roads & Traffic) do not generally cause major budgetary fluctuations because the amounts are relatively consistent from year to year. Under the circumstance, it is adequate to provide for these purchases through the normal budgetary process than by way of a specific reserve account.

Acquisition of Parklands

This reserve was established in 1980 to facilitate the purchase of a tract of land north of the Metro Zoo for parkland purposes. The land which is of interest to Metro consists of over 200 acres and was estimated to cost about $5.0 million. As of December 31, 1983, the balance in this reserve amounted to $1.0 million.

A Technical Review Committee comprising representatives from the Province, Metro and the City of Scarborough was established in 1980 to review and recommend a preferred land use option for lands at the northeast corner of Scarborough. The lands under review totalled about 2,890 acres. In July, 1981, a draft report was released by the Ministry of Municipal Affairs and Housing for the Committee, outlining three possible servicing scenarios for the land use. The report was approved by the Technical Review Committee in December 1981 and forwarded by the Minister in July, 1982 to the City of Scarborough as background to Council's consideration of future land use for this particular area of Scarborough.

As the Northeast Metro Land Study did not produce a definitive land use plan for the area, the final responsibility was reverted to the City of Scarborough. Metro has identified its interests and land use preferences as input to the City of Scarborough and to the Ministry of Municipal Affairs and Housing for their consideration.

Pending a final decision on land use for the area, discussions will commence with the Ontario Land Corporation and other private landholders with respect to the transfer and/or acquisition of the land of interest to Metro. The Department has submitted a request in their 1984 Capital Budget of $630,000 as the sum of a deposit. This submission was recommended for consideration in the Department's current budget and was not approved. It appears that the $1.0 million in the reserve account would be adequate for the purposes of a deposit, should the recommendation on land use for the area coincide with Metro's interests. The funding required to accomplish the purchases in excess of $1.0 million would be provided through the capital budget. Provisions for land acquisition were made in the 1984 capital budget for Council's approval.

## Emergency Response Facility

In 1981, the Corporation signed a contract with Bell Canada to provide the 911 Emergency Response Number. It was anticipated that a non-recurring one time expenditure of $1.45 million would be required in 1983 relating to the development of the Automatic Number/Automatic Location Indicator (ANI/ALI) function. The payment of this sum has been deferred to 1984.

A reserve was established in 1981 to facilitate this expenditure with the provision of $500,000 in each of 1981 and 1982. In 1983, an additional $175,000 was provided in this account. The Reserve will be expended in 1984.

## Convention Centre

The Reserve for Convention Centre was created to provide the cash flow requirements to meet Metro's contribution of $13.5 million toward the construction of a Convention Centre. The contribution by Metro is subject to the following conditions:

- the enactment of all necessary legislation;
- the balance of the capital cost to be provided by the Federal and/or Provincial governments or by private sources; and any operating deficits of the Centre are not to be subsidized by the Metropolitan Corporation.

Provision was made for interest earned to be credited to the account to reduce the 1983 contribution. The total requirement was met by the end of 1982 and no contribution was required in 1983.

## Additional Sick Pay Liability - Police Commission

This Reserve was established in 1982 subsequent to the adoption of the Police Collective Agreement for 1983.

The provisions of Article 12 of the Agreement established a Central Sick Leave Bank for Members who are entitled to sick leave but have exhausted their sick leave credits. Under this scheme eligible members who are disabled due to illness may collect from the Bank up to 60 hours of pay bi-weekly during the first year of payment and up to 40 hours of pay bi-weekly in the subsequent years. Payments will be made from the Bank so long as the Bank has a credit balance. Contributions to this Central Bank will be calculated at 1/3 of 1% of the regular straight time hourly earnings of each member covered by the Agreement, as well as their share of the premium rebate from the Unemployment Insurance Commission. Interest on the average Bank balance for the year will be credited to this account.

It should be noted that this benefit provision has an effective date of October 1, 1982 to the later of December 31, 1983, or the date when the Agreement for 1984 comes into effect, after which an assessment will be made on the effectiveness of this plan in providing long term disability protection to the Police.

**Debenture Interest Accrual**

The reserve was established as a result of a change in Provincial accounting principles which recommended that municipalities accrue debenture interest charges from the dates of the latest interest payments in each financial year to the end of that year. Previously, municipalities had recorded and levied such charges on a cash basis, that is, put all such amounts totally in the year they became due and payable.

Because this change would have an adverse financial impact on every municipality in the year it was implemented, the Province provided for a transitional arrangement whereby the interest accrual could be deferred until 1985. This would allow the phasing of the financial impact.

For the Metropolitan Corporation, the one-time financial impact in the year of change is estimated at $15.3 million for general purposes (excluding waterworks). This is not an additional cost but rather an advancement of provision for the expenditure.

Accordingly, in 1982 the Treasurer recommended creation of a reserve for Accrual of Debenture Interest in the amount of $3,825,000. The same amount was included in the 1983 budget and in 1984 a similar contribution is anticipated for the conversion to full accrual basis for debenture charges in 1985. This reserve will not be required after 1985.

Capital Financing Stabilization

The reserve was established in 1982 as a result of a recommendation by the C.A.O. in April, 1981. The purpose of this reserve is to stabilize the contribution of capital-from-current to a 50 percent level of the net capital requirements for the year. The contribution from the current account to the capital program was set at 5 mills. In those years when 5 mills generates more than the 50 percent requirement, the surplus will be placed in the Reserve. In those years when 5 mills generates less than the 50 percent requirement, the necessary amount will be drawn from the Reserve to make up the difference to reach the 50 percent level.

Based on an estimate of projected actual for the year, the contribution from the Stabilization Reserve is about $22,577,000 for 1983 in addition to the 5 mill capital from current. A five year projection on the balances in the Stabilization Reserve account based on the Capital Program submitted in 1983 shows the following:

Forecast on Stabilization Reserve Balances

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|
| | | | ($000's) | | | |
| Balance - January 1 | 39,694 | 9,617 | 10,594 | 0 | 0 | 0 |
| Less: | | | | | | |
| 1. Payments out to reduce general levy | 7,500 | 0 | 0 | 0 | 0 | 0 |
| 2. Payments out re. capital programs | 22,577 | 0 | 10,594 | 0 | 0 | 0 |
| Add: Payments into the reserve | 0 | 978 | 0 | 0 | 0 | 0 |
| Balance - December 31 | 9,617 | 10,594 | 0 | 0 | 0 | 0 |

According to the projection, the stabilization fund for general purposes would be fully depleted in 1985. The remaining balance of $10,594,000 combined with the 5 mill capital-from-current would finance 44.8% of the net capital expenditure. It should be noted that the estimates are based on the assumption that only 80% of the capital program as submitted is actually expended. The following table provides the capital financing for Metro's capital programs 1984-1988.

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|
| | | | (000's) | | | |
| Capital Financing: | | | | | | |
| Net cap. expend.: | | | | | | |
| Metro gen. purposes | 130,607 | 85,222 | 122,930 | 123,729 | 112,734 | 121,704 |
| Direct Funding Available: | | | | | | |
| From Revenue Fund | 42,676 | 43,564 | 44,435 | 45,324 | 46,230 | 47,155 |
| From Stablztn. Fund | 22,577 | -978 | 10,594 | 0 | 0 | 0 |
| | 65,253 | 42,586 | 55,029 | 45,324 | 46,230 | 47,155 |
| + Prog. Reserve Fund | 100 | 50 | 150 | 150 | 1,325 | 325 |
| + Sinking Fund Monies | 8,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Cur.Funds Available | 73,353 | 49,636 | 62,179 | 52,474 | 54,555 | 54,480 |
| Debenturing Req'd. | 57,254 | 35,586 | 60,751 | 71,255 | 58,178 | 67,224 |
| Total Net Expend. | 130,607 | 85,222 | 122,930 | 123,729 | 112,734 | 121,704 |
| % of Net Expenditure Funded | | | | | | |
| From Revenue Fund | 32.7 | 51.1 | 36.2 | 36.7 | 41.5 | 38.8 |
| From Stablztn. Funds | 17.3 | -1.1 | 8.6 | 0.0 | 0.0 | 0.0 |
| TOTAL | 50.0 | 50.0 | 44.8 | 36.7 | 41.5 | 38.8 |
| Capital-from-current Contribution req'd. to maintain 50/50 ratio (# mill) | 5 | 5 | 5.7 | 6.8 | 6.1 | 6.5 |

Based on this forecast, the 5 mill capital-from-current would maintain the ratio of contribution at about 50% of net capital requirements up to 1985. Because capital expenditures usually lag behind the forecast, it may not be necessary to change the capital-from-current contributions in 1985. However, the 5 mills may have to be increased to about 7 mills for 1986 and to 6.1 mills and 6.5 mills for 1987 and 1988. An increase of 2 mills in 1986 would represent roughly a 3% increase in mill rate. If the ratio of capital-from-current contribution is to be maintained at 50% of net capital requirements, consideration may have to be given to increasing the 5 mill levy after 1986, or reducing the level of capital expenditure.

On this basis, it is recommended that:

- **Consideration be given to increasing the capital-from-current levy in 1986, taking into account the five year Capital Program of the Corporation, to ensure that 50% of the Capital Program is financed from the current account. As an alternative, the projected 5 year Capital Program of the Corporation be reduced to fit the requirements of the 50% formula.**

## RESERVE FUNDS

### Ministry of the Environment - Reserve Fund for Contingencies

The reserve was established as a result of agreements between the Metropolitan Corporation and the Ministry of the Environment dated June 6, 1960 and February 24, 1966, regarding the contributions by Metro for the renewals, replacements and any contingencies associated with the operation of the Lakeview Sewage Treatment Plant. This facility was built by the Metropolitan Corporation and was to be operated by the Provincial Government. The amount of annual contribution is calculated at 70% of 1 1/2% of the cost of the Lakeview Sewage Treatment Plant.

Since 1971, no payments into this Reserve account have been made pending the negotiation of a transfer of the Lakeview Sewage Treatment Plant to the Ministry of the Environment. The Reserve fund has grown by approximately $4,000 annually as a result of the interest earning on the balances. Once the transfer of the Plant is resolved, the reserve fund amounts will be transferred to the Province and the Corporation's obligations will be discharged.

## Insurance Reserve Fund

Pursuant to the authority set out in Section 2.21 of the Municipality of Metropolitan Toronto Act, the Metropolitan Council on April 16, 1971, approved the establishment of a reserve fund to pay certain losses arising from deductible provisions in insurance contracts.

The amount of funds to be placed in the Insurance Reserve Fund annually is determined by the Treasurer. The following table illustrates the amounts of transfers in and out of this Fund for the past five years:

| Year | Metro Contributions | Interest Earned | Total Revenues | Less: Claims Chargeable To Fund | Bal. at Dec. 31 |
|---|---|---|---|---|---|
| | | $ | | | B/F 708,440 |
| 1978 | 750,000 | 77,909 | 827,909 | 704,997 | 831,352 |
| 1979 | 775,000 | 109,499 | 884,499 | 781,236 | 934,615 |
| 1980 | 280,000 | 121,956 | 401,956 | 650,663 | 685,908 |
| 1981 | 390,000 | 144,017 | 534,017 | 535,126 | 684,799 |
| 1982 | 440,000 | 137,222 | 577,222 | 530,857 | 731,164 |
| 1983 | 500,000 | 91,436 | 591,436 | 579,904 | 742,696 |
| 1984(est.) | 550,000 | 80,000 | 630,000 | 630,000 | 742,696 |

Contributions to this reserve fund are based on past experience on insurance payouts adjusted to reflect inflationary increases. For 1984, it is estimated that because of the higher level of claims anticipated, a $550,000 contribution to this account would be required to maintain the balance at the previous year's level, and at the same time adequately discharge the Corporation's insurance liabilities.

## Stadium - Capital Improvements Reserve Fund

The establishment of a Capital Improvements Reserve Fund for the Stadium was approved by Metro Council on April 15, 1977 during the adoption of the 1977 Capital Works Program. This reserve was intended to provide funds to pay for debt servicing related to the rehabilitation of the North Grandstand; the accumulation of the reserve fund in excess of the amount required for such debt servicing is to be used by the Stadium to pay for future capital improvements.

Revenue for this reserve fund is generated through the levying of a user fee of 25 cents per admission ticket for admission prices in excess of $2.00. The balance in this reserve fund account has increased in the past two years because of the absence of capital projects for the Stadium. Capital projects in the order of $200,000 were approved for the Stadium for 1984. The balance as of the end of 1983 was $449,000, up from $48,000 in 1982. If a Domed Stadium is approved for construction on the Exhibition grounds, the operations of this reserve will need to be re-evaluated.

## O'Keefe Centre - Capital Improvements Reserve Fund

As a result of the 1980 budgetary process, the Metropolitan Council adopted a recommendation requesting the O'Keefe Centre to implement a capital surcharge to be imposed on each ticket, sufficient to cover 25 percent of any special cost for major maintenance and rehabilitation at the Centre. This reserve was established in order that the surcharge could be set aside for these capital purposes.

Following the recommendation of the Metro Toronto Council, the Board of Management of the O'Keefe Centre approved a 50¢ per ticket surcharge. While it is no longer the practice, the surcharge was intended to finance first, the total cost of scheduled minor repairs. The

O'Keefe Centre's overhead is also recovered from this Reserve during the time when it is closed for major improvements and rehabilitation. The balance from the surcharge will be contributed to this Reserve Fund. Contributions will be made from this Fund to the Capital or Revenue Fund of the Metropolitan Corporation, representing a 25% share of expenditures for major maintenance and rehabilitation of the Centre. The balance of 75% of the costs will be borne by Metro, to be funded from the general levy.

Since the establishment of the Reserve Fund, the plan of rehabilitation initially submitted by the O'Keefe Centre in 1980 has been substantially revised. Instead of a five-year program costing $2,200,000 (1980 dollars), the revised program submitted in 1983 spanned eight years at about $4,155,500 in 1980 dollars. A number of concerns were raised by the Department of Management Services during the 1983 budgetary process particulary with respect to the intent of the Reserve Fund vis-a-vis the activities being proposed under the revised Rehabilitation Plan. The ratio of contribution to major rehabilitation work (i.e. 25% reserve contribution/75% general levy) was also under question. The nature of the improvements proposed appeared to have exceeded the original mandate of the Reserve Fund. Included in the revised rehabilitation plan were projects considered to be of an expansion and improvement nature, e.g. Display Cases, Boutique and Bar Operation. The Fund balance was projected to exceed the Centre's needs for rehabilitation purposes.

Two major issues have emerged from the budgetary analysis:

1. The need and intent for a capital improvements reserve fund; and
2. The ratio of contribution to capital improvements.

The original philosophy behind the ticket surcharge for financing capital rehabilitation work was premised on the view that users of the Centre should bear part of the capital cost. While the intent of the Reserve

Fund is to finance major rehabilitation and maintenance work, the capital works now being proposed partially relate to the expansion and further development of the physical facilities.

Strictly speaking, expansion projects should not be funded from this reserve fund because they are not part of the Fund's original intent. With the exception of some special projects, if the expansions were considered under the capital program, it would mean funding would be 100% from the general levy, which runs contrary to the view that users of the theatre should bear some of the costs. The shared contribution in this case is a sound way of financing capital projects for Metro's agencies while not over-burdening the general taxpayers. For these reasons, it is appropriate that the purpose of the Capital Improvements Reserve Fund be re-evaluated. The availability of other sources of funding for financing the O'Keefe's capital projects, including the Centre's endowment fund should be examined. Also, an appropriate ratio of contributions from the tax base, reserve fund or other sources to O'Keefe's capital funding based on its projected requirements should be established, allowing the Centre to remain competitive while minimizing the effect on the general levy.

Recognizing that a study is presently under way on the feasibility of retrofitting the O'Keefe Centre as an Opera/Ballet House, the above review should be co-ordinated with any relevant recommendations resulting from the study.

- **Pending the results of the study on retrofitting the O'Keefe Centre as an Opera/Ballet House, the purpose of the O'Keefe Centre's Capital Improvement Reserve Fund and the ratio of contributions to the Centre's capital projects from this Reserve Fund be reviewed by the Department of Management Services and a report sent to the O'Keefe Centre Board and the Budget Sub-Committee prior to the 1985 Budget cycle.**

## Corporate Sick Pay Liability Grant Reserve Fund

The need for Metro to establish a reserve against the liability for sick pay credits was identified as early as 1978. At the time, the contingent liability for vested sick pay credit grants stood at $26.9 million and it was further estimated that the rate of increase of this liability would be in the order of between 10 and 20 percent each year.

To provide for this liability, Council decided to establish a reserve for "Accumulated Sick Pay Credits" for the year 1978 in the amount of $2 million and that a phased build-up of this reserve continue until it reached 15 percent of the outstanding liability.

In 1982, the question of the appropriate level of reserve was again raised. Three options were examined:

(a) Pay as you go, whereby the Corporation expends the actual cost of sick pay gratuities as they occur from its current operating fund. The disadvantage of this method is that the Corporation will be subject to peak payout years. This would be inequitable to taxpayers who would be asked to shoulder a financial burden incurred through liabilities originating in previous years.

(b) Set up a reserve fund to cover payouts such that contributions to the fund will be sufficient to offset expected payouts over a given period of time. Using this method, projections would be made over a forecast period such as ten years and these projections would be reviewed on a periodic basis.

(c) Set up a reserve fund to cover liabilities such that contributions to the fund over a given period of time will accumulate to cover the vested liability in whole or in part. Adopting this policy will dramatically increase funding commitments and place a strain on the existing tax base for a future liability which may, in fact, never materialize to the degree anticipated.

A computer model was developed and based on the results option (b) was selected. The contributions to the reserve fund are determined so as to sustain projected sick pay benefit payouts over a ten-year period. The policy covers Metro for high payout years and stabilizes the financial impact on the Corporation over the projected time period of 10 years and does not require dramatically increased contributions.

The reserve was set up in 1982 with initial balances transferred from the reserve for liability-vested sick pay benefits. Subsequent contributions to the fund are determined by a computerized actuarial model. The projection will be repeated every second year following 1983 to reflect the Corporation's most recent experience with respect to termination rates and updated forecasts for inflation. The basis for calculating the provisions for the reserve fund ensures that the Corporation's payout commitments in sick pay liability are met.

Regent Park Reserve Fund

The Metropolitan Council approved on September 14, 1982, the payment of a one-time grant of $40,000 to the Regent Park Community Centre to cover its operating costs, pending the completion of the Centre in 1985. In 1983, Council authorized the establishment of a reserve fund to provide for Metro's contribution to the project. The complete fund balance, including interest, will be transferred to a Regent Park Community Centre trust account when the Centre opens in mid-1985. In the event that the project is not fully completed by July 1, 1985, the

Reserve Fund will be closed out and taken in as revenue of the Metropolitan Corporation. As at December 31, 1983, the balance in this Reserve Fund was $44,000.